

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM N-210
**Underpayment of Estimated Tax by Individuals,
Estates, and Trusts**

1996

GENERAL INSTRUCTIONS

Purpose of Form

Use Form N-210 to see if you owe a penalty for underpaying your estimated tax and, if you do, to figure the amount of the penalty. This form is used by individuals and fiduciaries of estates and trusts, including trusts that are exempt organizations.

Other Methods

We realize that there are many different ways to figure the correct penalty. You do not have to use the method prescribed by Form N-210 as long as you enter the correct penalty amount on the penalty line of your return.

However, if you are required to file Form N-210 because one or more of the boxes in Part I applies to you, you must complete certain lines. You must complete lines 1-17 and enter the penalty on line 20.

Who Must Pay the Underpayment Penalty

You may be charged a penalty if you did not pay enough estimated tax by any of the due dates or if you did not have enough Hawaii income tax withheld. This is true even if you are due a refund when you file your tax return. The penalty is figured separately for each due date. Therefore, you may owe the penalty for any earlier payment due date, even if you paid enough tax later to make up the underpayment.

In general, you may owe the penalty for 1996 if you did not pay at least the smaller of:

1. 90% of your 1996 tax liability; or
2. 100% of the tax shown on your 1995 tax return (110% of that amount if you are not a farmer or a fisherman and your adjusted gross income (AGI) shown on that return is more than \$150,000 or, if married filing separately for 1996, more than \$75,000).

Exceptions to the Penalty

You will not have to pay the penalty if either **1** or **2** applies:

1. You had no tax liability for 1995, you were a U.S. citizen or resident of Hawaii for the entire year, and your 1995 tax return was (or would have been had you been required to file) for a full 12 months.
2. The total tax shown on your 1996 return minus the amount of tax you paid through withholding and applicable tax credits is less than \$500. To determine whether the total tax is less than \$500, complete lines 1-5.

Special Rules for Farmers and Fishermen

If you meet both tests **1** and **2** below, you do not owe a penalty for underpaying your estimated tax.

1. Your gross income from farming and fishing is at least two-thirds of your annual gross income from all sources for 1995 or 1996.
2. You filed Form N-12 or N-40 and paid the entire tax due by March 1, 1997.

Get federal Publication 505, Tax Withholding and Estimated Tax, for the definition of gross income from farming and fishing.

Waiver of Penalty

If you have an underpayment on line 16, all or part of the penalty for that underpayment will be waived

if the Department determines that:

1. The underpayment is due to a casualty, disaster, or other unusual circumstance and it would be inequitable to impose the penalty, **or**
2. In 1995 or 1996, you retired after age 62 or become disabled, and your underpayment was due to reasonable cause.

To request either of the above waivers, do the following:

- a. Check the box in Part I, line a.
- b. Complete Form N-210 through line 19 without regard to the waiver. Write the amount you want waived in parentheses on the dotted line next to line 20. Subtract this amount from the total penalty you figured without regard to the waiver, and enter the result on line 20.
- c. Attach Form N-210 and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements and the time period for which you are requesting the waiver.
- d. If you are requesting a penalty waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as police and insurance company reports.
- e. If you are requesting a penalty waiver due to retirement or disability, attach documentation that shows your retirement date (and your age on that date) or the date you became disabled.

The Department will review the information you provide and decide whether or not to grant your request for a waiver.

Attach this form to your return.

SPECIFIC INSTRUCTIONS

Part II

All filers must complete lines 1-8.

Line 1 — Enter your tax liability before credits. Enter the amount from Form N-11, line 26; Form N-12, line 37; Form N-13, line 16; Form N-15, line 39; Form N-40, line 23; or Form N-70NP, line 12 whichever applies.

Line 2 — Complete the worksheet below to determine the amount to enter on line 2. Do not include on the lines below income tax withheld, estimated taxes paid, credit for taxes withheld on the sale of Hawaii real property, amount withheld by an S corporation for a nonresident shareholder, or overpayment from 1995 applied to 1996. Enter the amount of the applicable credit(s) from your income tax return on the appropriate line below:

CREDIT	AMOUNT
Income tax paid to another state or to a foreign country	_____
Energy Conservation Tax Credit	_____
Enterprise Zone Tax Credit	_____
Low-Income Housing Tax Credit	_____
Credit for Employment of Vocational Rehabilitation Referrals	_____
Credit for Child and Dependent Care Expenses	_____
Food Tax Credit	_____
Credit for Low-Income Household Renter	_____
Credit for Child Passenger Restraint Systems	_____
Capital Goods Excise Tax Credit	_____
Medical Services Excise Tax Credit	_____
Fuel Tax Credit for Commercial Fishers	_____
Other credits	_____
Total Credits to be entered on line 2	_____

Line 4 — Include on this line Hawaii income tax withheld from wages and sales of real property by nonresidents.

Line 5 — If this line is less than \$500, you do not have to complete the rest of this form. If the amount on this line is \$500 or more, complete lines 6 through 13.

Line 7—Tax Amount from your 1995 Income Tax Return.—Enter 100% of your 1995 tax or 110% of that amount if your AGI for 1995 is more than \$150,000 (more than \$75,000 if married filing separately for 1996). Figure your 1995 tax using the taxes and credits shown on your 1995 tax return. Use the same type of taxes and credits shown on lines 1 and 2 of Form N-210.

If you did not file a return for 1995, or if your 1995 tax year was less than 12 months, **do not** complete line 7. Instead, enter the amount from line 6 on line 8. However, see the **Exceptions to the Penalty** on this page.

Filing Status Change.—If you are filing a joint return for 1996, but you **did not** file a joint return for 1995, add the tax shown on your 1995 return to the tax shown on your spouse's 1995 return and enter the total on line 7. If you filed a joint return for 1995 but you are **not** filing a joint return for 1996, see federal Publication 505 to figure your share of the 1995 tax to enter on line 7.

Line 8 — Compare the amounts on lines 6 and 7. Enter the **smaller** of the two amounts on line 8.

If the amount on line 4 is equal to or more than the amount on line 8, you will not have to complete or attach Form N-210 unless the **Caution** below applies to you.

Caution: *If the amount you enter on line 8 is your prior year tax (from line 7), and you filed or are filing a joint return for either 1995 or 1996 but not for both years, you must check Box d in Part I, and complete and attach Form N-210 to your return, even if you do not owe a penalty.*

Part III - Figure Your Underpayment

Nonresident Alien

If you are a "Nonresident Alien" (see definition in Form N-15 Instructions) and **did not** receive wages as an employee subject to Hawaii income tax withholding, the instruction for figuring your underpayment are modified as follows:

1. Skip column **(a)** in Part III.
2. In column **(b)** of line 9 in Part III, enter one-half of the amount on line 8 (unless you are using the annualized income installment method).
3. In column **(b)** of line 10 in Part III, enter the total tax payments made through June 20, 1996, for the 1996 tax year.
4. Skip all lines in column **(b)** that are shaded in column **(a)** in Part III.

Farmers and Fishermen

The instructions for figuring your underpayment are modified as follows:

1. Skip columns **(a), (b), and (c)** in Part III.
2. In column **(d)** of line 9 in Part III, enter the full amount on line 8.
3. In column **(d)** of line 10 in Part III, enter the total tax payments made through January 20, 1997, for the 1996 tax year.
4. Skip all lines in column **(d)** that are shaded in column **(a)** in Part III.

Figuring Your Underpayment

Line 9 — Enter on line 9, columns (a)-(d), the amount of your required installment for the due date shown in each column heading. For most taxpayers, this is the amount shown on line 8 of Part II, divided by four (4). However, it may be to your benefit to figure your required installments by using the annualized income installment method. For more details, see the instructions for Schedule A on this page.

Line 10 — Enter the taxes withheld on wages, Individual Housing Account distributions, or on the disposition of Hawaii real property; estimated tax payments; and amounts paid by an S corporation on behalf of a nonresident shareholder if the corporation's payment is made within your tax year are to be entered in the column for the period during which the payment is made.

In column (a), enter the tax payment(s) you made by April 20, 1996, for the 1996 tax year; in column (b), enter the payments you made after April 20 through June 20, 1996; in column (c) enter payments you made after June 20 through September 20, 1996; and in column (d), enter payments you made after September 20, 1996, through January 20, 1997.

When figuring your payment dates and the amounts to enter on line 10 of each column, apply the following rules:

- 1. Include in your estimated tax payments any overpayment of tax from your 1995 return that you elected to apply to your 1996 estimated tax. If you file your return by the due date, including extensions, treat the overpayment as a payment made on April 20, 1996.
- 2. If you file your return and pay the tax due by January 31, 1997, include on line 10, column (d), the amount of tax you pay with your tax return. In this case, you will not owe a penalty for the payment due by January 20, 1997.
- 3. Reduce the amount of withholding on the disposition of Hawaii real property included on this line by any amount for which you have requested a refund on Form N-288C.
- 4. Any payments made on the next working day after the payment due date because of a Saturday, Sunday, or holiday, will be considered paid on the payment due date.

If line 10 is equal to or more than line 9 for all payment periods, stop here. You do not have to complete the rest of the form.

Line 16 — If line 16 is zero for all payment periods, you do not owe a penalty. But if you check Box b, c, or d, in Part I, you must file Form N-210 with your return.

If line 16 shows an underpayment for any payment period, see Waiver of Penalty on page 1. In certain circumstances, the Department will waive all or part of the penalty.

Part IV — Figuring the Penalty

The underestimation penalty is computed on a monthly basis. This means the penalty is imposed on the amount of the underpayment of estimated tax at the rate of 2/3 % (.00667) a month or fraction of a month.

Use this part to figure the penalty for any underpayment to which none of the exceptions apply. If you made more than one payment for any payment period, attach your penalty computation for each payment. The penalty is applied to the number of months, or fraction of a month, that the installment was not paid. You figure the period of underpayment by counting the number of months after the due date of the installment to and including the date of payment or April 20, 1997, whichever is earlier. If you are a fiscal year taxpayer, use the 20th day of the 4th month following the close of your fiscal year instead of April 20, 1997.

Line 19 — Count the number of months from the due date of the payment shown above the column

to the date on line 18. A month, for the purposes of computing the penalty, is the period from the 21st day of the current calendar month through the 20th day of the following calendar month. Enter the number of months, rounding up any fractions of a month. A fraction of a month is counted as one month.

For example, Mr. Aloha has an underpayment for the April 20th installment of \$1,000. The June 20th installment requires a payment of \$2,500. On June 10th, Mr. Aloha pays \$2,500 to cover the June 20th installment. However, \$1,000 of this payment will be considered to be for the April 20th installment. The penalty for the April 20th installment is figured to June 10th (2 months). The amount of the payment to be applied to the June 20th installment will be the remaining \$1,500. Please note, that if Mr. Aloha does not make an additional payment by June 20th to cover the remaining \$1,000 due for the June 20th installment, the underpayment penalty will be applied when it is subsequently paid.

Payment of your entire 1996 estimated tax liability, or any balance due, by January 20, 1997, or filing of your 1996 income tax return and payment of the tax shown on the return by January 20, 1997, will not relieve you of the penalty if you did not pay the estimated income tax due earlier in your tax year. If you file your return and pay the tax due by January 31, 1997, you will have no penalty for the January installment, and the periods of underpayment for earlier installments will end on January 20, 1997.

Reminder for farmers and fishermen: If your gross income from farming or fishing is at least two-thirds of your annual gross income from all sources for 1995 or 1996, and you file your return and pay the tax due by March 1, 1997, you will not have to pay the penalty or file this form.

Schedule A—Required Installments Using the Annualized Income Installment Method

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use Schedule A to figure the amounts to enter on Form N-210, Part III, line 9.

If you use Schedule A for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, Schedule A automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring earlier installments).

To use the annualized income installment method, you must do all three of the following:

- 1. Enter the amount from Schedule A, line 25, in each column of Form N-210, Part III, line 9.
- 2. Check Box b in Part I.
- 3. Attach Form N-210 to your return.

Nonresident Alien

If you did not receive wages as an employee subject to Hawaii income tax withholding, the instructions for Schedule A are modified as follows

- 1. Skip column (a).
- 2. Enter on line 1 your income for the period that is effectively connected with a Hawaii trade or business.
- 3. Increase the amount on line 16 by the amount determined by multiplying your income for the period that is not effectively connected with a Hawaii trade or business by the following:

- In column (b), 72%.

- In column (c), 45%.
- In column (d), 30%.
- 4. Enter in column (b) of line 21, one-half of the amount from Form N-210, Part II, line 8. In columns (c) and (d), enter one-fourth of that amount.
- 5. Skip column (b), lines 19, and 22.

Annualized Income Installment Method

Line 1 — Figure your total income for the period, minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

If you are self-employed, be sure to take into account the deduction for one-half of your self-employment tax. To figure this amount for each period, complete federal Form 2210, Part II of Schedule AI and divide the amount in each column on line 35 by 8, 4.8, 3, and 2, respectively.

Line 2 — Estates and trusts, do not use amounts shown in columns (a)-(d). Instead, use 6, 3, 1.71429, and 1.09091, respectively, as the annualization amounts.

Line 6 — Multiply line 4 by line 5 and enter the result on line 6. But if line 3 is more than \$100,000 (\$50,000 if married filing separately) use the following worksheet to figure the amount to enter on line 6.

1. Enter the amount from Sch. A, line 4.....	_____
2. Enter the amount included on line 1 for medical and dental expenses, investment interest, casualty or theft losses, and gambling losses	_____
3. Line 1 minus line 2.....	_____
4. Enter the number from Sch. A, line 5.....	_____
5. Multiply the amount on line 1 by line 4. Note: If the amount on line 3 is zero, stop here and enter the amount from line 5 on Sch. A, line 6.	_____
6. Multiply the amount on line 3 by the number on line 4	_____
7. Multiply the amount on line 6 by .80.....	_____
8. Enter the amount from Sch. A, line 3	_____
9. Enter \$100,000 (\$50,000 if married filing separately)	_____
10. Line 8 minus line 9.....	_____
11. Multiply the amount on line 10 by .03.....	_____
12. Enter the smaller of line 7 or line 11.....	_____
13. Line 5 minus line 12. Enter the result here and on Sch. A, line 6.....	_____

Line 12 — To compute the tax, use the Tax Table, Tax Rate Schedules, Capital Gains Tax Worksheet (Form N-11/N-12 Instructions), or Form N-615.

Line 13 — Enter all of the additional taxes you owed because of events that occurred during the months shown in the column headings. Include the following:

- Form N-2, Individual Housing Account
- Form N-103, Sale of Your Home
- Form N-152, Tax on Lump Sum Distributions
- Form N-312, Capital Goods Excise Tax Credit Recapture
- Form N-405, Tax on Accumulation Distribution of Trusts
- Form N-586, Credit for Low Income Housing Recapture
- Form N-814, Parent's Election to Report Child's Interest and Dividends

Line 15 — Enter the credits you are entitled to because of events that occurred during the months shown in the column headings. Do not annualize any credit. However, when figuring your credits, you must annualize any item of income or deduction used to figure the credit. For example, the medical services excise tax is based upon the income the qualified nursing facility received during the year. When figuring the medical services excise tax credit, multiply the amount the qualified nursing facility received in connection with services provided during the period shown in the column headings by the annualization amount shown on line 2 for that period.